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***Legislative Council***

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**Paper for the House Committee meeting on 5 March 2010**

**Report of the Subcommittee on  
Census and Statistics (Annual Earnings and Hours Survey) Order**

**Purpose**

This paper reports on the deliberations of the Subcommittee on Census and Statistics (Annual Earnings and Hours Survey) Order.

**Background**

2. In May 2009, the Census and Statistics Department (C&SD) launched a new Annual Earnings and Hours Survey (the AEHS) as a voluntary survey which was notified in the Gazette<sup>1</sup> in accordance with section 11A of the Census and Statistics Ordinance (Cap. 316). The voluntary survey aimed to collect wage, employment and demographic information of employees from about 10 000 business undertakings in Hong Kong on an annual basis. The information is useful for studies on labour-related topics by private sector and the Government. The data obtained are also essential inputs for analyses related to the implementation of the Statutory Minimum Wage (SMW).

3. Given that employee wage data obtained through AEHS have irreplaceable reference value in analyses related to SMW, C&SD proposes that the AEHS should be conducted as a mandatory statistical survey from 2010 onwards, in order to align with the established practice adopted in Hong Kong and other statistically advanced economies that surveys with important policy implications are conducted on a mandatory basis. This will ensure adequate response from selected business undertakings across all sectors and the quality of the data obtained. It will help enhance cooperation from the sampled business establishments, and is also in line with international practices in conducting SMW-related surveys.

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<sup>1</sup> G.N. 2052 published on 3 April 2009

## **Census and Statistics (Annual Earnings and Hours Survey) Order**

4. The Census and Statistics (Annual Earnings and Hours Survey) Order (the Order) seeks to implement C&SD's proposal to conduct AEHS on a mandatory basis as described in paragraph 3 above. The Order contains nine sections and one schedule and provides for the conduct of an annual survey by the Commissioner for Census and Statistics for the purpose of compiling statistics relating to the wage level and distribution, as well as the employment and demographic characteristics of employees in Hong Kong.

5. The Order was gazetted on 22 January 2010 and tabled in LegCo on 27 January 2010. Subject to the expiry of the negative vetting period, the Order will come into operation on 18 March 2010.

### **The Subcommittee**

6. At the House Committee meeting held on 29 January 2010, Members agreed to form a subcommittee to study the Order. Hon LI Fung-ying was elected Chairman of the Subcommittee. The membership list of the Subcommittee is in **Appendix I**. The Subcommittee has held one meeting with the Administration to examine the Order.

7. The scrutiny period of the Order has been extended to 17 March 2010 by resolution of the Council on 24 February 2010.

### **Deliberations of the Subcommittee**

#### Sampled business establishments by employment size

8. The Subcommittee notes that the AEHS enumerates around 10 000 business establishments across all employment sizes and industries covered by the Central Register of Establishments. Small and medium establishments (i.e. establishments with less than 100 persons engaged for the manufacturing industry and those with less than 50 persons engaged for non-manufacturing industries) constitute about 98% of the total number of establishments in Hong Kong. Whilst all the establishments with not less than 100 persons engaged will be included in the AEHS sample, the smaller establishments with less than 100 persons engaged will be randomly selected using stratified sampling. The Administration has advised that as data collected from individual sampled establishments will be appropriately weighted to reflect the actual number of small, medium and large establishments in different industries, reliable statistics pertaining to the overall situation of Hong Kong employees can be compiled.

9. The Subcommittee Chairman considers that the apportionment of the sampled establishments by employment size should be determined in accordance with the corresponding distribution in the population, in order not to create a major bias in the overall survey findings. The Administration has explained that even

though the composition of the sample in terms of employment size may be different from the composition in the population, the survey results obtained will be unbiased by suitably applying weighting. Systematic deviation or error in the survey results is not envisaged.

#### Statistics on job types and employees engaged in outsourced services

10. Hon LEE Cheuk-yan has expressed concern whether statistics will be compiled by job types straddling across different industry sectors such as cleansing and property management, as these will be of much reference value in determining the SMW rate. The Administration has advised that as the SMW rate will be applicable to all jobs in Hong Kong regardless of type, the AEHS is designed to measure the wage distribution of all employees in Hong Kong, instead of the wage situations in specific occupations. Nevertheless, wage statistics on some common job types can also be compiled from the AEHS data for reference.

11. The Subcommittee Chairman has asked whether employment information pertaining to the business establishments employing outsourced services is required to be given under the Order. The Administration has advised that persons engaged in the provision of outsourced services to a business establishment are not employees of the establishment employing outsourced services. Therefore, information pertaining to such persons will not be collected from the establishment which employs outsourced services. Instead, such persons are employees of the contractor establishment which provides the outsourced services and their information will be collected from the contractor establishment direct. The Administration has assured the Subcommittee that information on employees engaged in outsourced services will not be omitted or double counted in the AEHS.

#### Issue on false self-employment

12. Some members including Dr Hon PAN Pey-chyou and Hon IP Wai-ming have suggested that the employees rather than the employers of the selected business establishments in the AEHS should be interviewed in order to address the concern about false self-employment. The information collected from the individual selected employees should be checked against the information provided by the sampled business establishments.

13. The Administration has advised that self-employed persons are not employees of the sampled establishments and therefore data pertaining to such persons will not be collected in the AEHS. In fact, measures are being taken to tackle the problem of false self-employment. The Labour Department has undertaken to keep relevant statistics on cases relating to claims of false self-employment to facilitate better understanding of the problem, and will report the findings to the Panel on Manpower after one year. In line with international practice where questionnaires are delivered to the employers for completion and return, census officers from C&SD will visit the sampled establishments and help them complete the questionnaires and verify the information provided by the employers. The suggestion of interviewing the individual employees of selected

establishments may not be feasible as most employees do not keep detailed wage records of their own.

#### Meal benefits in kind

14. The Subcommittee notes that meal benefits in kind is not a wage component under the Employment Ordinance (Cap. 57). It will not be included as part of wage in analyses related to the SMW. Hon IP Kwok-him has expressed concern whether it is appropriate to include the cost of providing meal benefits in kind as a sub-item of section 2(f), which is referring to the amount of wage with breakdown for the relevant wage period, under the Schedule of the Order.

15. The Administration has advised that to facilitate international comparison on wage statistics, it is an established practice of C&SD to follow relevant international statistical standards promulgated by the International Labour Organization (ILO) in conducting surveys collecting wage information. As far as the definition of wages is concerned, meal benefits in kind is included as a wage component in accordance with the recommendation of ILO. The Administration therefore considers that the inclusion of meal benefits in kind as a sub-item of section 2(f) is appropriate and would better be kept unchanged. Since different users may have different analysis/research needs and thus may wish to select different components of wages to suit their requirements, C&SD would, if requested, compile different sets of wage statistics based on data collected from the AEHS which can meet the users' needs for their reference.

#### Survey reference period

16. The Subcommittee notes that survey reference period in relation to a business undertaking means either the month of April, May or June of the calendar year in which a survey is carried out. Some members including Dr Hon PAN Pey-chyou and Hon IP Wai-ming are of the view that as the months of May and June are within the low season of business activities by tradition, the figures collected in these two months may have an unfavourable impact on the SMW. These members have suggested that the AEHS should be conducted on a quarterly basis to even out the seasonal fluctuations in order to align with other surveys such as the General Household Survey.

17. The Administration has advised that wage figures of the first quarter and the fourth quarter are relatively more volatile for year-on-year comparison, whereas those of the third quarter are clouded by the summer work factor. Wage figures in the second quarter are relatively stable and more suitable for year-on-year comparison. Whilst seasonal deviations and fluctuations are inevitable, year-on-year comparison on the basis of wage data pertaining to the same reference period in each year will be meaningful and of good reference value. It will be impractical and contrary to the prudent use of resources to extend the survey reference period to the whole year, and this will also cause undue time lag for releasing the survey results.

18. The Administration has further advised that findings of the AEHS will be provided to the Provisional Minimum Wage Commission for reference in recommending the initial SMW rate. Nevertheless, they are not the only input for analyses in determining the SMW rate. Findings from other surveys will be referred to as well.

### **Recommendation**

19. The Subcommittee has completed scrutiny of and generally support the Order.

### **Advice sought**

20. The House Committee is invited to note the deliberations of the Subcommittee.

Council Business Division 1  
Legislative Council Secretariat  
4 March 2010

**Subcommittee on  
Census and Statistics (Annual Earnings and Hours Survey) Order**

**Membership List**

<b>Chairman</b>	Hon LI Fung-ying, BBS, JP
<b>Members</b>	Hon LEE Cheuk-yan
	Hon Audrey EU Yuet-mee, SC, JP
	Hon WONG Sing-chi
	Hon IP Wai-ming, MH
	Hon IP Kwok-him, GBS, JP
	Dr Hon PAN Pey-chyou

(Total : 7 members)

<b>Clerk</b>	Ms YUE Tin-po
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<b>Legal Adviser</b>	Mr Kelvin LEE
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